



2011 Results Announcement

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29 February 2012



Agenda

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Business Review

2

Financial Review

3

Strategic Plan Update

4

Appendix

2011 – Key Achievements



IPOs – Globally # 1 for 3rd year in a row



Established RMB equities trading infrastructure



Upgraded cash trading system to AMS/3.8

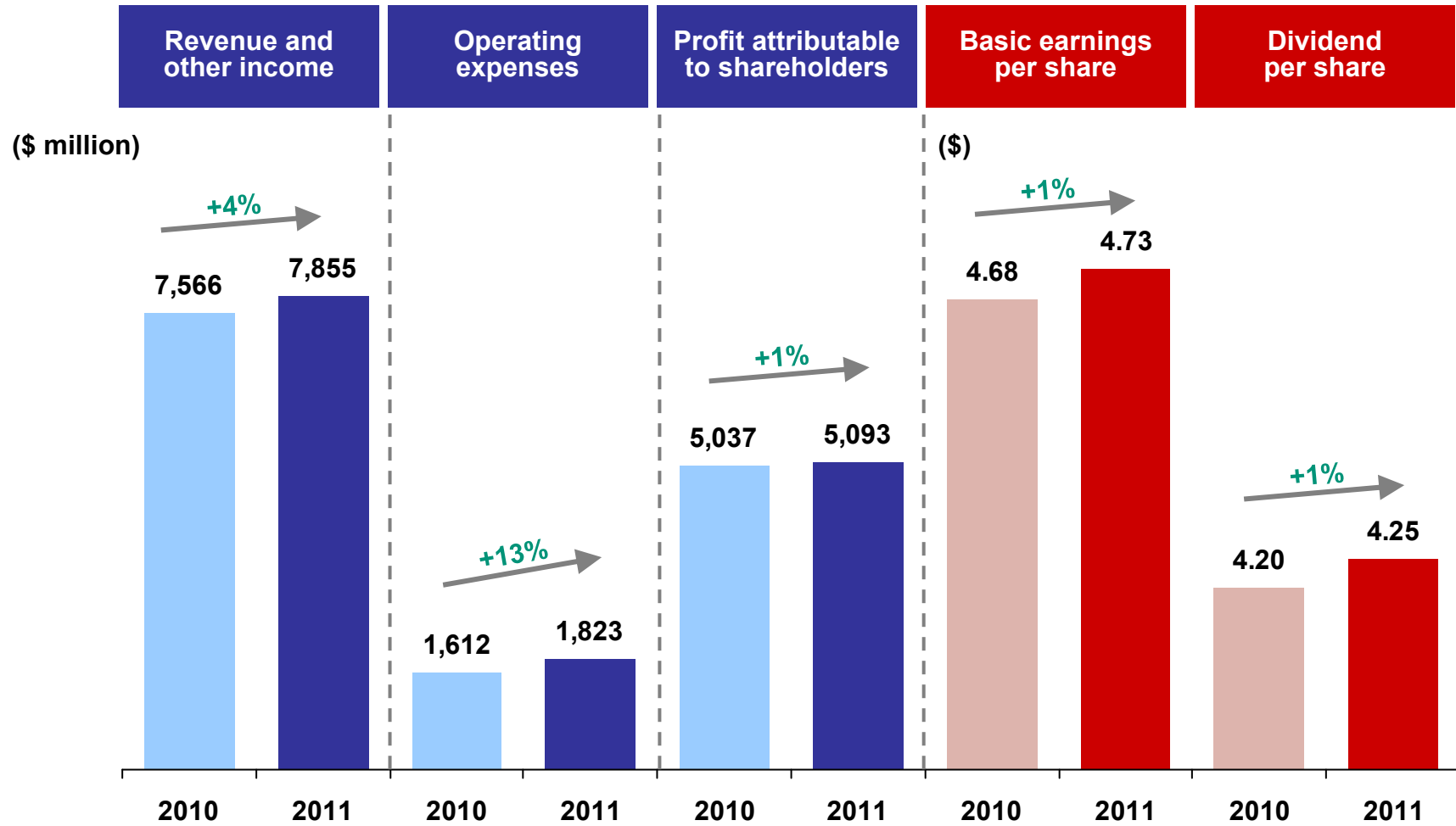


Launched BRICS alliance



Completed important market consultations

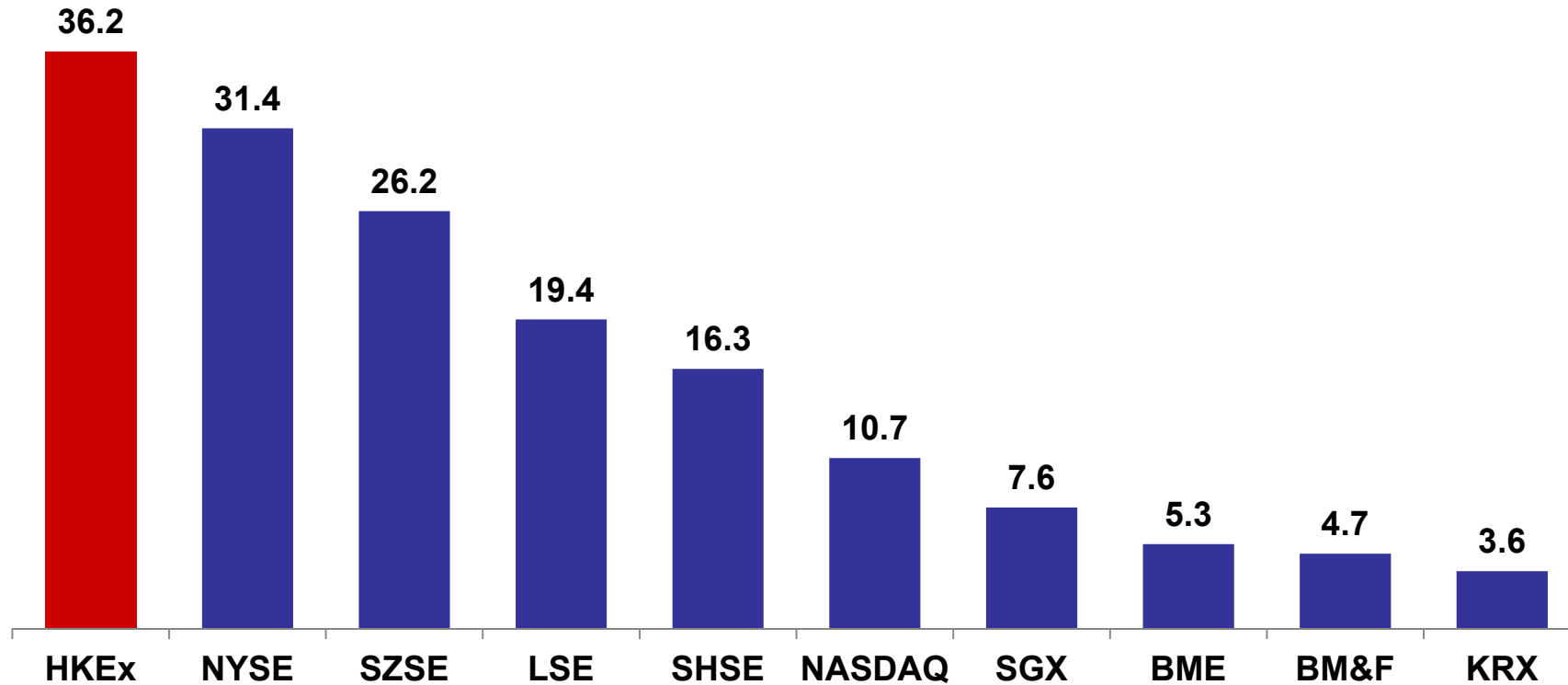
2011 Annual Results



HKEx remains World's Largest IPO Exchange for the 3rd Year in a Row



IPO Funds Raised by Various Exchanges in 2011 (in US\$bil)



Source: Dealogic (figures include funds raised by REITs; full value of dual listing deals are allocated to the respective exchanges)

**2012 pipeline remains robust –
102 applications under review or approved as of 31 Jan 2012**

2011 Securities and Derivatives Trading

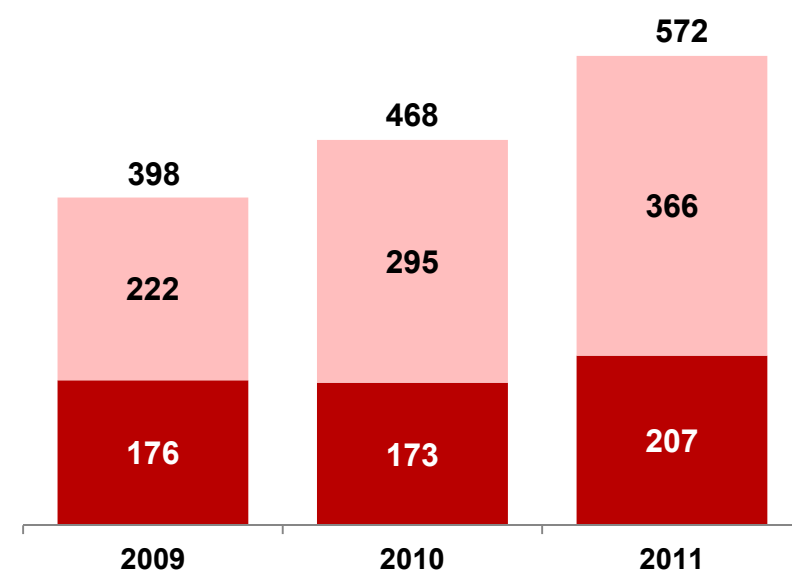
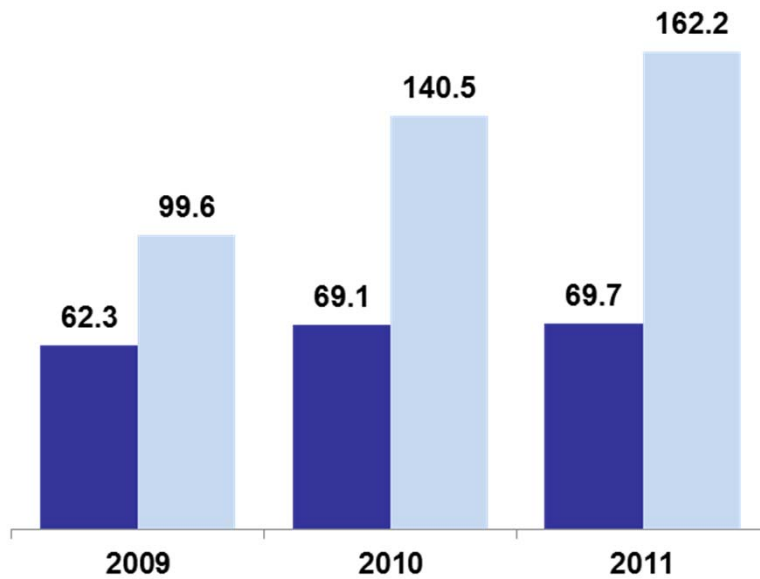


Trading volume of shares growing, but value flat due to market decline

Derivatives turnover reached all time high

2009-2011 Securities ADT

2009-2011 Derivatives ADV



■ ADT in billion \$ ■ ADT in billion shares

(In '000 contracts)
 ■ Futures contracts traded ■ Options contracts traded

Recent ADT momentum showing pick-up over Nov-Jan ADT

Source: HKEx statistics

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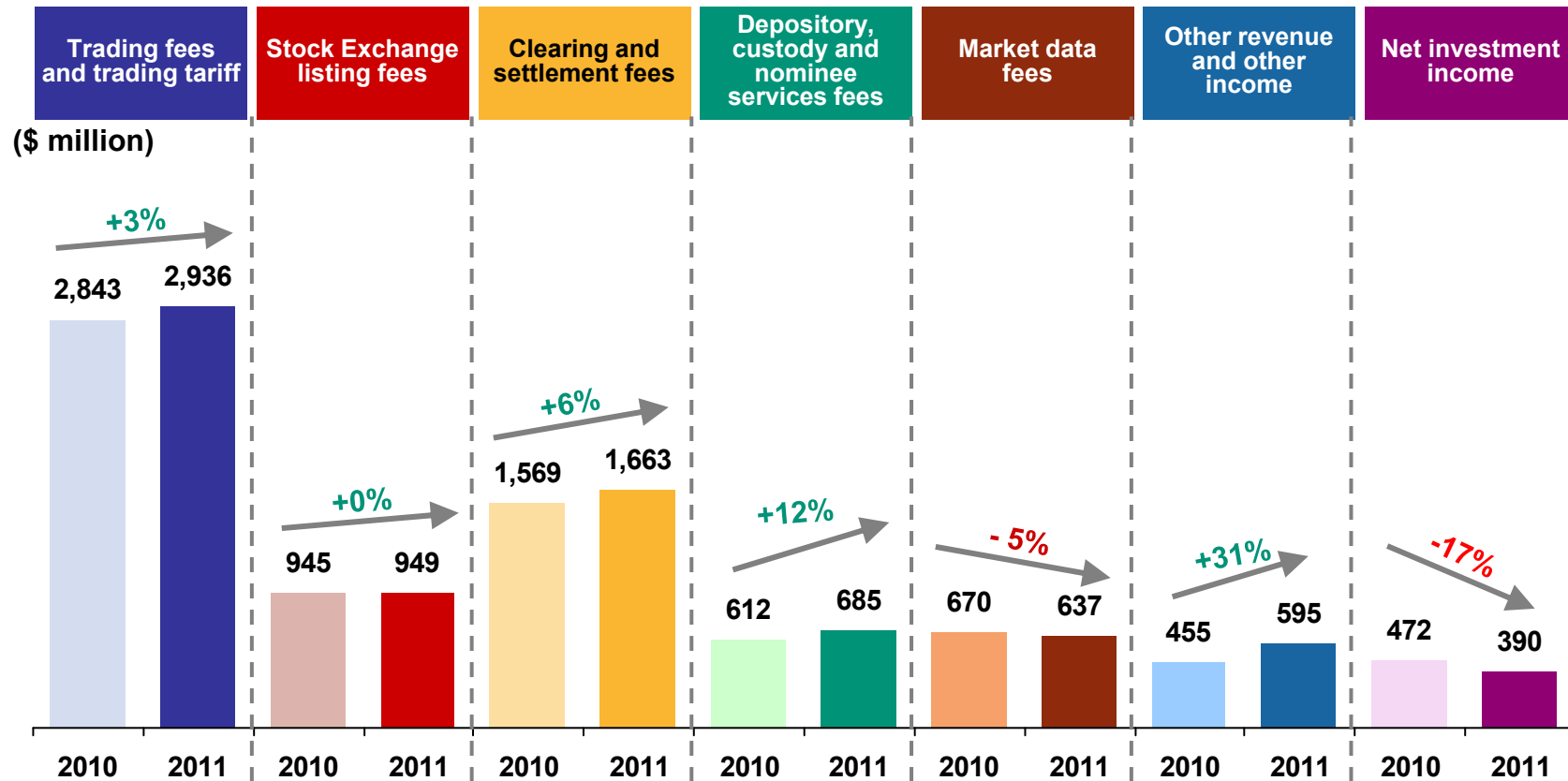
Financial Highlights



<i>(\$ million, unless stated otherwise)</i>	2011	% of revenue & other income	2010	% of revenue & other income	Y-o-Y Change
Results					
Revenue and other income	7,855	100%	7,566	100%	+4%
Operating expenses	(1,823)	(23%)	(1,612)	(21%)	+13%
Profit before taxation	6,032	77%	5,954	79%	+1%
Taxation	(939)	(12%)	(917)	(12%)	+2%
Profit attributable to shareholders	5,093	65%	5,037	67%	+1%
Basic earnings per share	\$4.73		\$4.68		+1%
Diluted earnings per share	\$4.72		\$4.67		+1%
Interim dividend per share	\$2.16		\$1.89		+14%
Final dividend per share	\$2.09		\$2.31		-10%
Total dividend per share	\$4.25		\$4.20		+1%
Dividend payout ratio	90%		90%		-
Average daily turnover of Cash Market	\$69.7 bn		\$69.1 bn		+1%
Capex	743		99		+6.5x

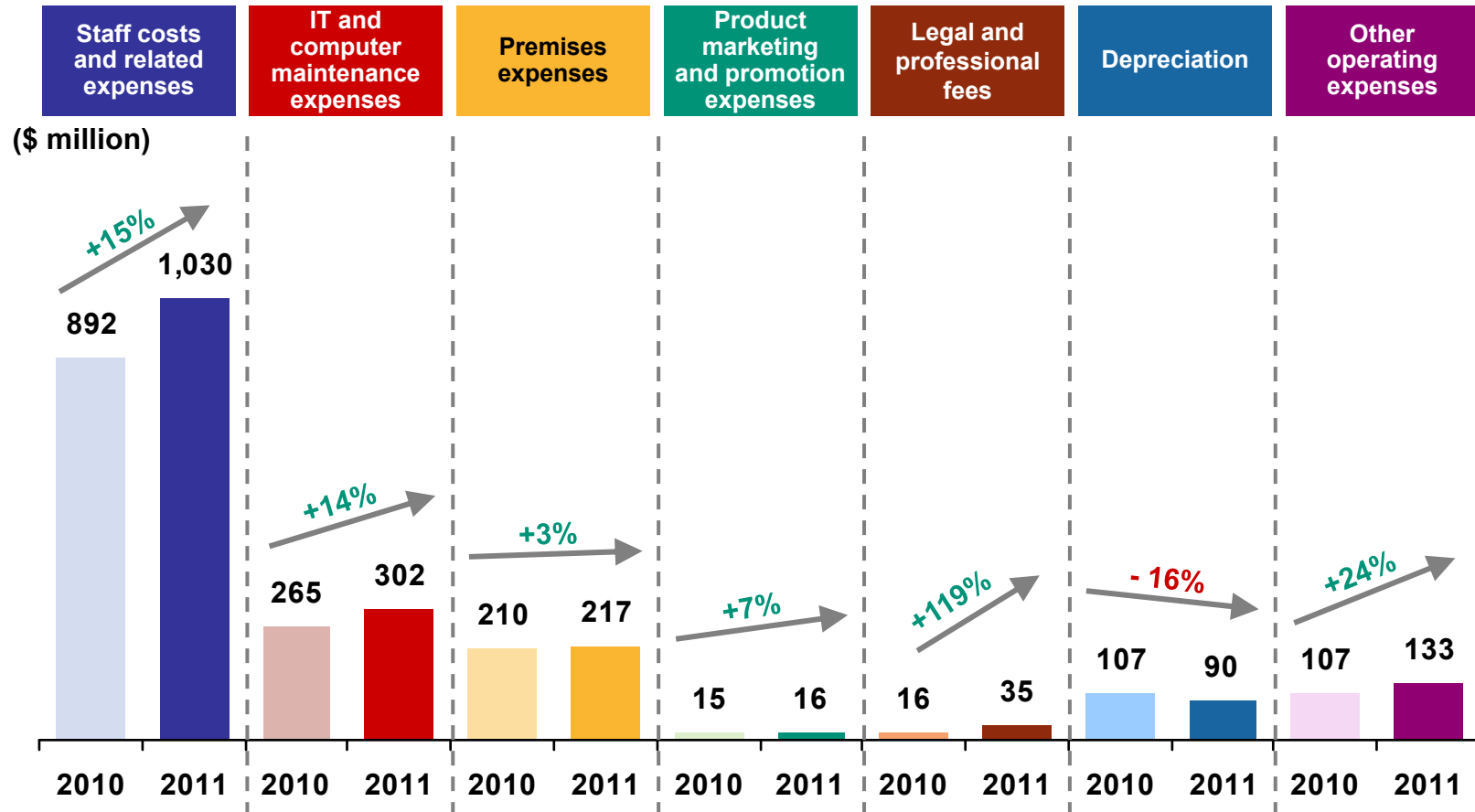
**Revenue and PAT moved in tandem with ADT
Capex and operating expenses rose due to implementation of various strategic initiatives**

Revenue and Other Income Breakdown



- **Trading and clearing fees increased due to increase in market activities**
- **Market data revenue declined due to lower per-quote fees**
- **Other revenue and other income rose due to forfeiture of unclaimed dividends held by HKSCC Nominees**
- **Net investment income decreased due to lower fair value gains**

Operating Expenses Breakdown



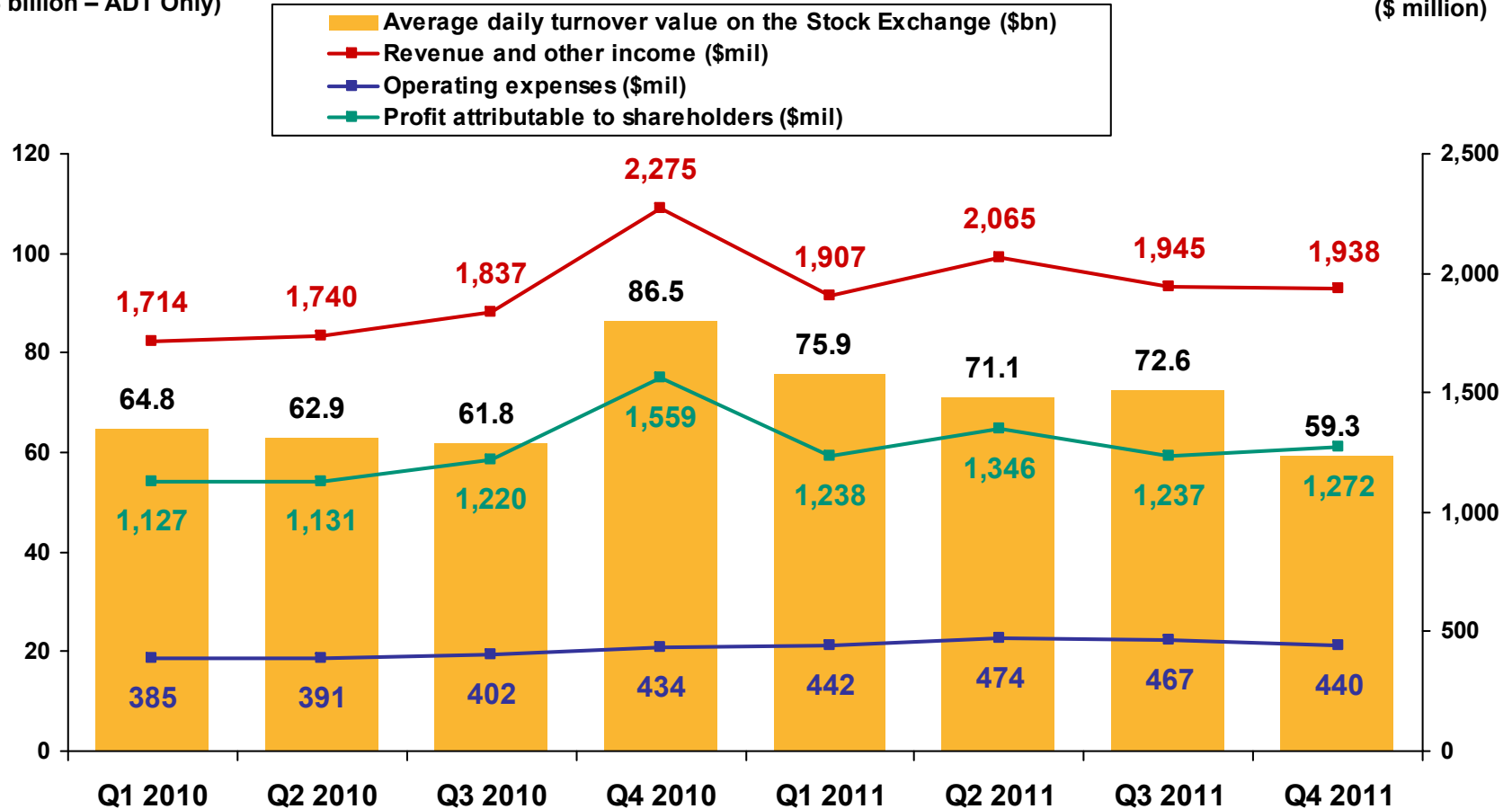
Operating costs increased due to implementation of strategic initiatives

Results by Quarter



(\$ billion – ADT Only)

(\$ million)



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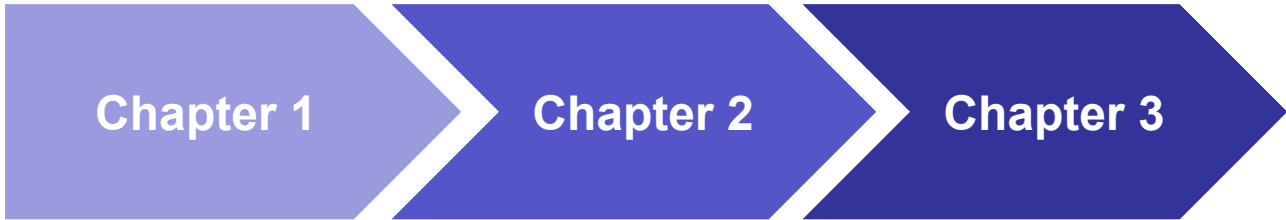
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Appendix

2012 – Key HKEx Strategies

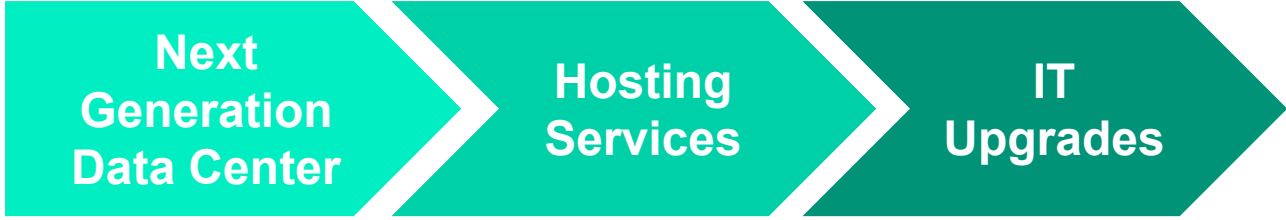


Business Drivers



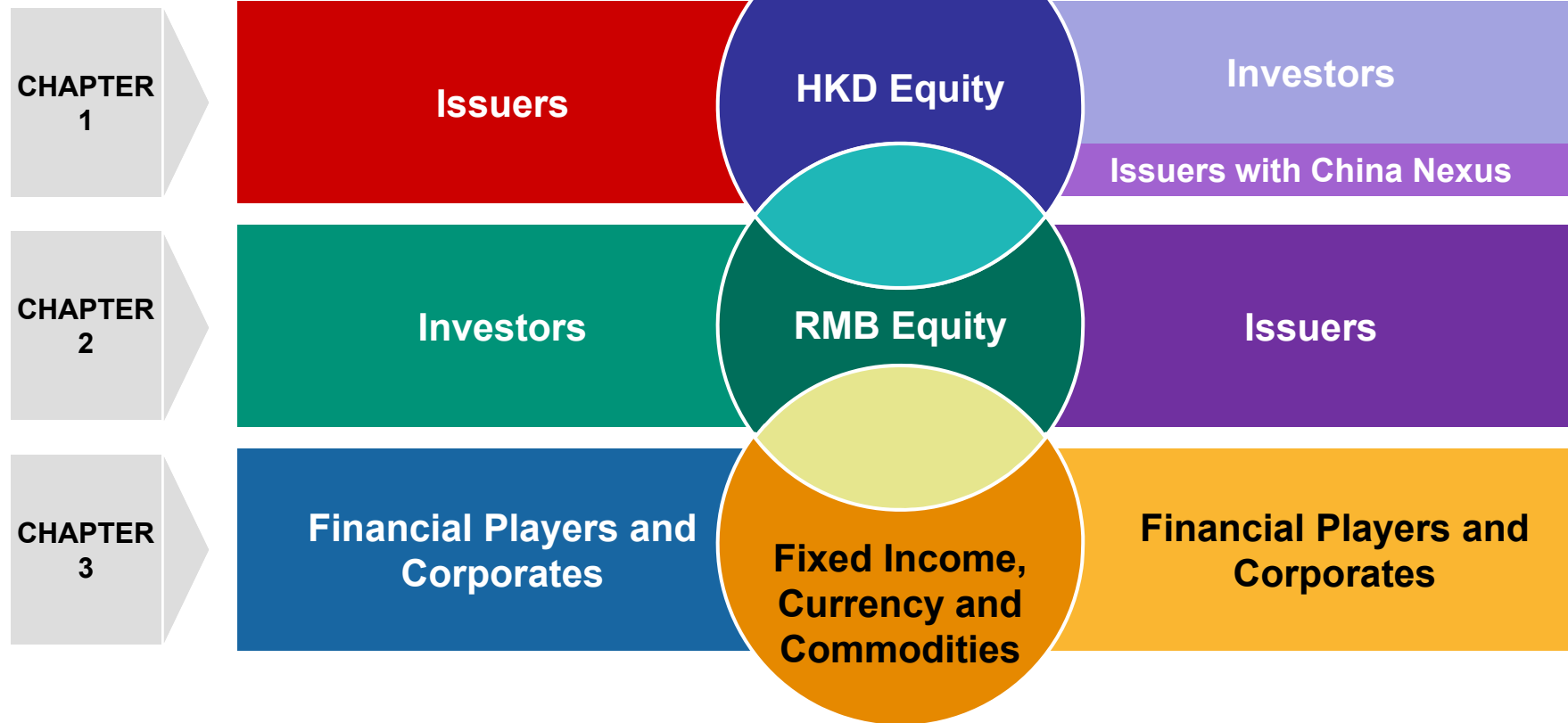
RMB and Moving Beyond Equities

Essential Infrastructure Investment



Critical Implementation Year

HKEx Strategic Vision



Key Business Drives – Seizing the Opportunities

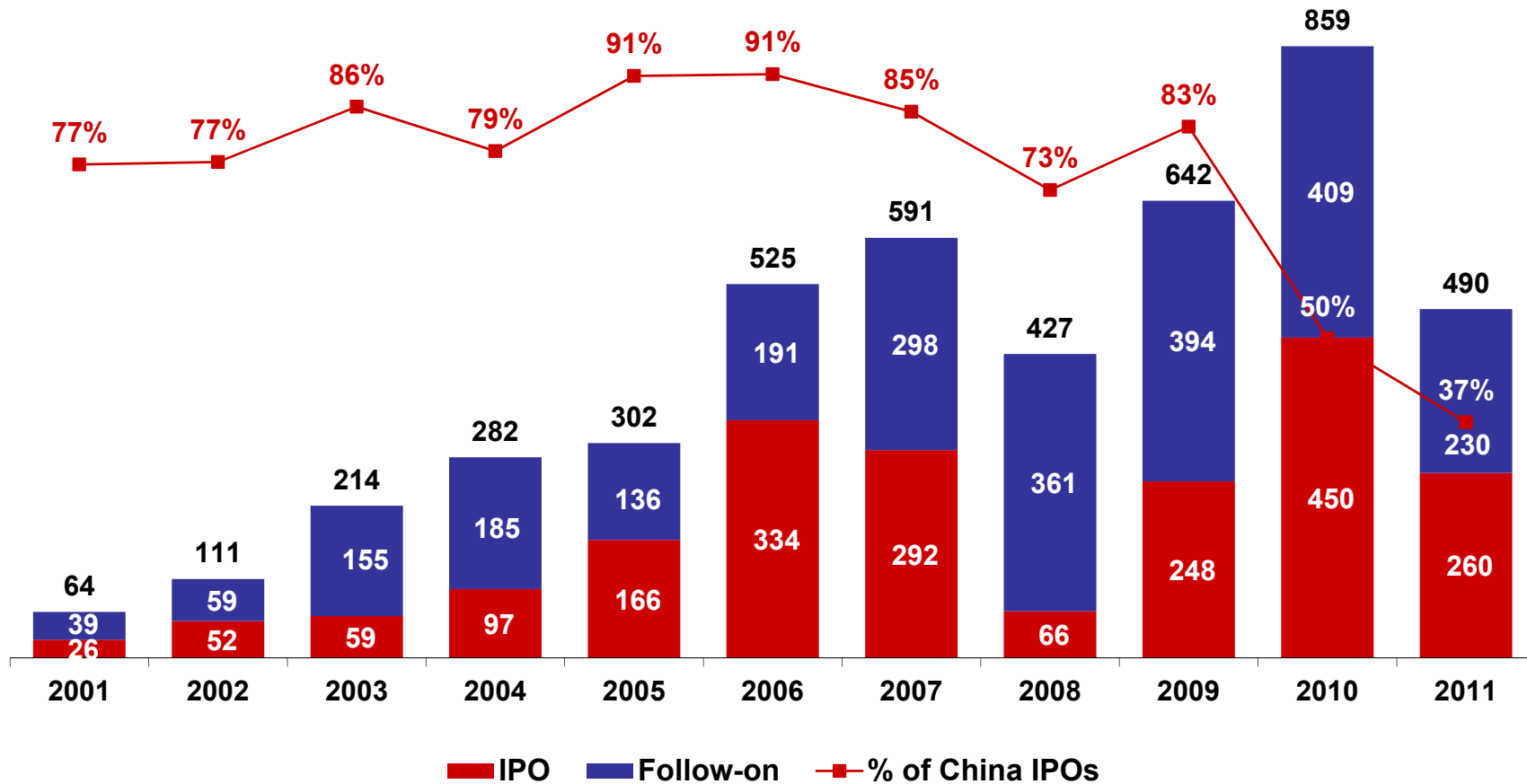


Near-term visibility may be limited, but we must capitalise on our unique position



Robust Fund Raising Story Continues..

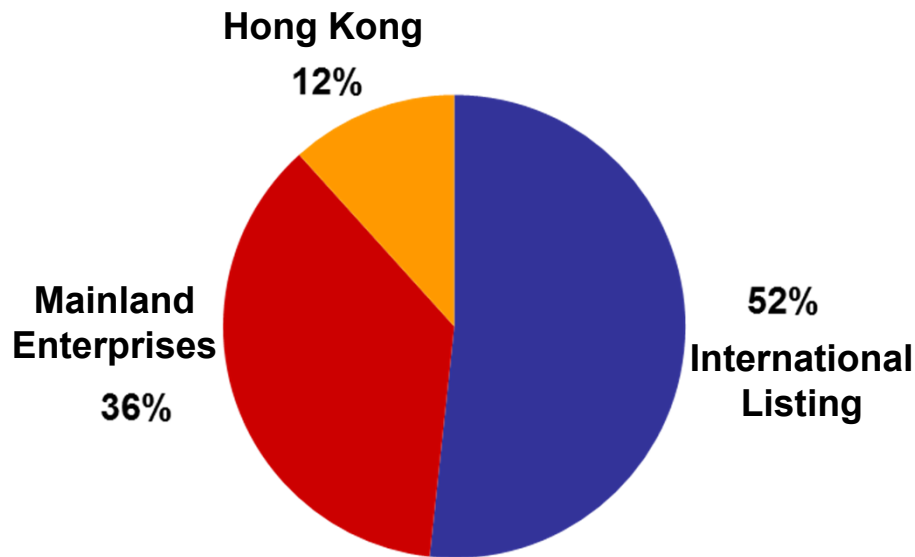
(\$bil)



...but IPOs are mature growth story

International Listings Becoming A Key Driver

2011 IPO Funds Raised



Four overseas jurisdictions were recognised in 2011: Canada-Alberta, France, Guernsey and Italy

Selected International Listings

GLENCORE
INTERNATIONAL plc
US\$10.0bil
Switzerland

PRADA
MILANO
US\$2.5bil
Italy

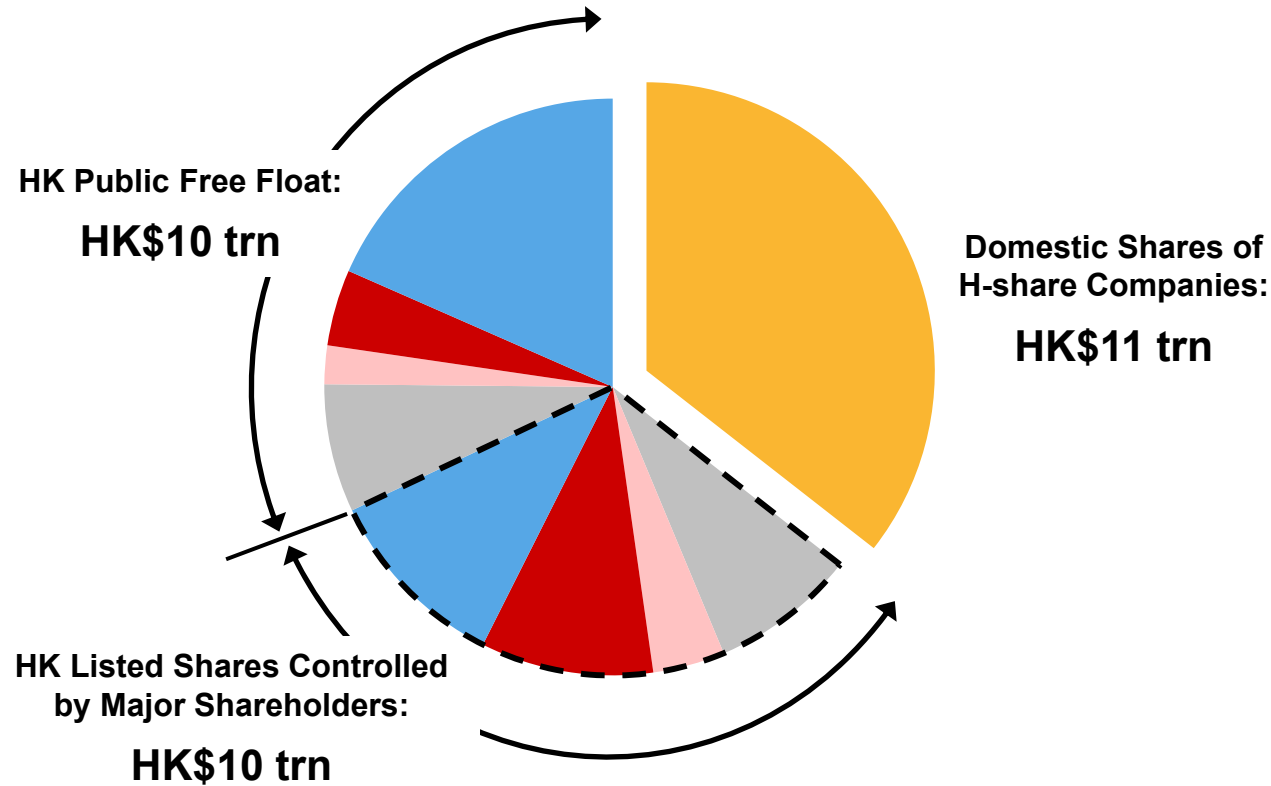
Samsnite
US\$1.3bil
Luxembourg

思佰益
Strategic Business Innovator
US\$206mil
Japan

KAZAKHMYS
By Introduction
England & Wales

COACH
By Introduction
USA

China Add-On's – Potential for Substantial Future Sell-down



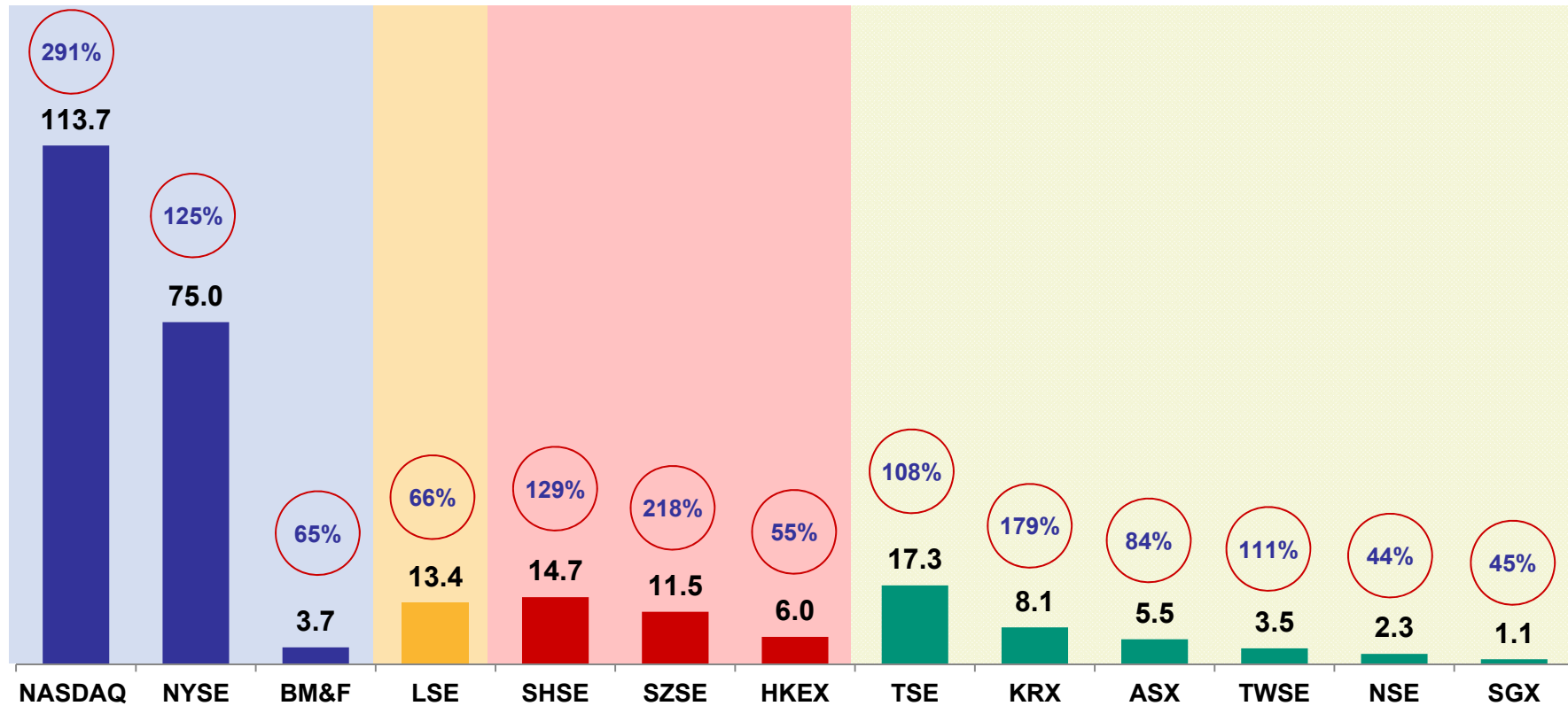
	Public Free Float	Non Public Free Float	Total
Hong Kong and International Issuers	HK\$6 trn (64%)	HK\$3 trn (36%)	HK\$9 trn
Red-Chip	HK\$1 trn (31%)	HK\$3 trn (69%)	HK\$4 trn
Non-H Mainland Private Enterprises	HK\$0.7 trn (35%)	HK\$1 trn (65%)	HK\$2 trn
H-Share – Hong Kong Listed Shares	HK\$2 trn (53%)	HK\$3 trn (47%)	HK\$5 trn
H-Share – Domestic Shares			HK\$11 trn

Source: Estimates only, from Thomson Reuters, ETNet and HKEx statistics



Potential Impact of Mainland Investors

LTM ADT & Velocity of Major Global Exchanges (in US\$bil)



Source: WFE, as of 31 January 2012

○ = LTM average velocity

HKEx has the potential to substantially increase velocity as China opens capital account

RMB Infrastructure

Largely Completed

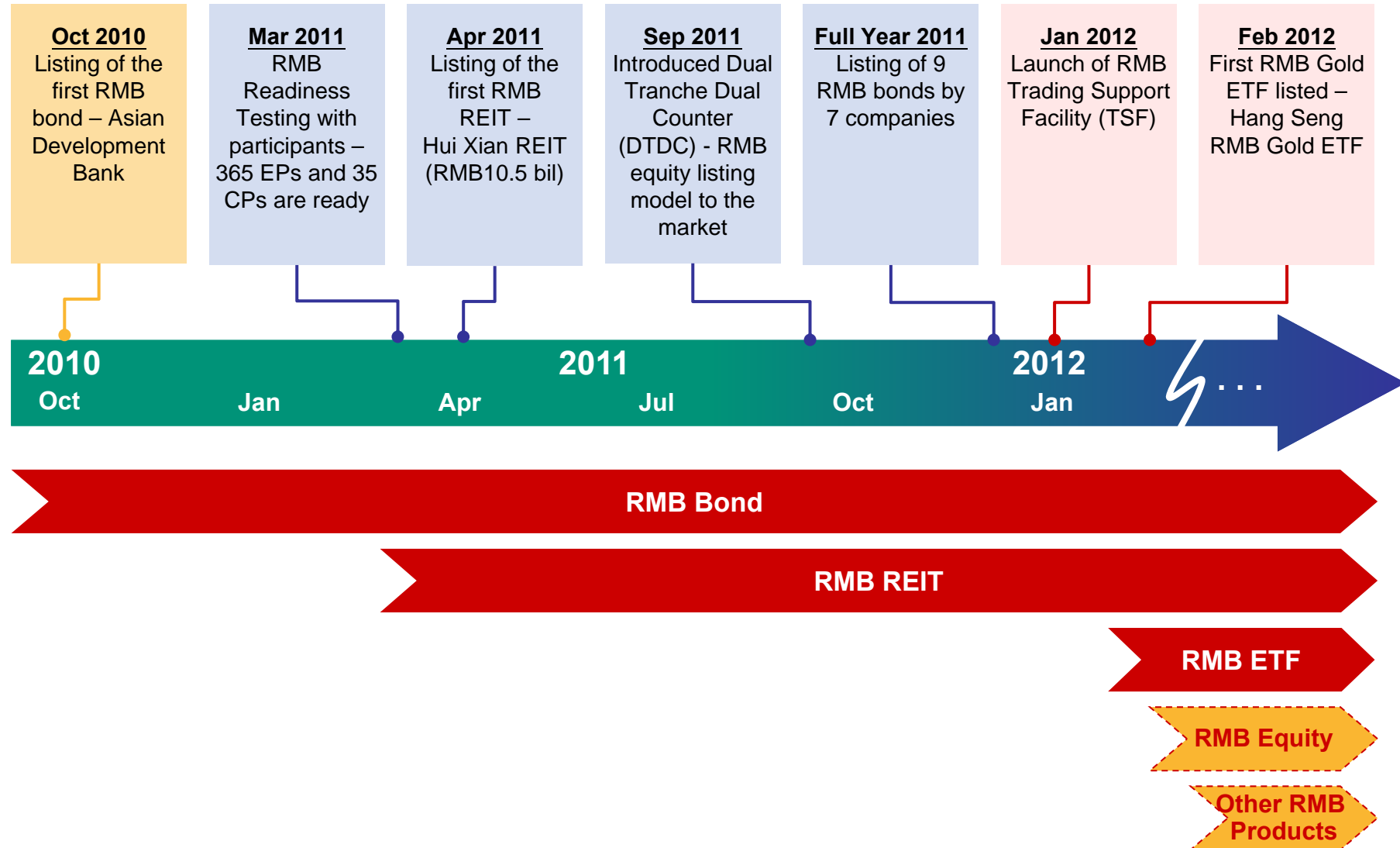
- Readiness of brokers, service providers, systems, regulations
- About 90% of market is ready to trade RMB equity
- RMB Equities Trading Support Facility (TSF)

RMB Products

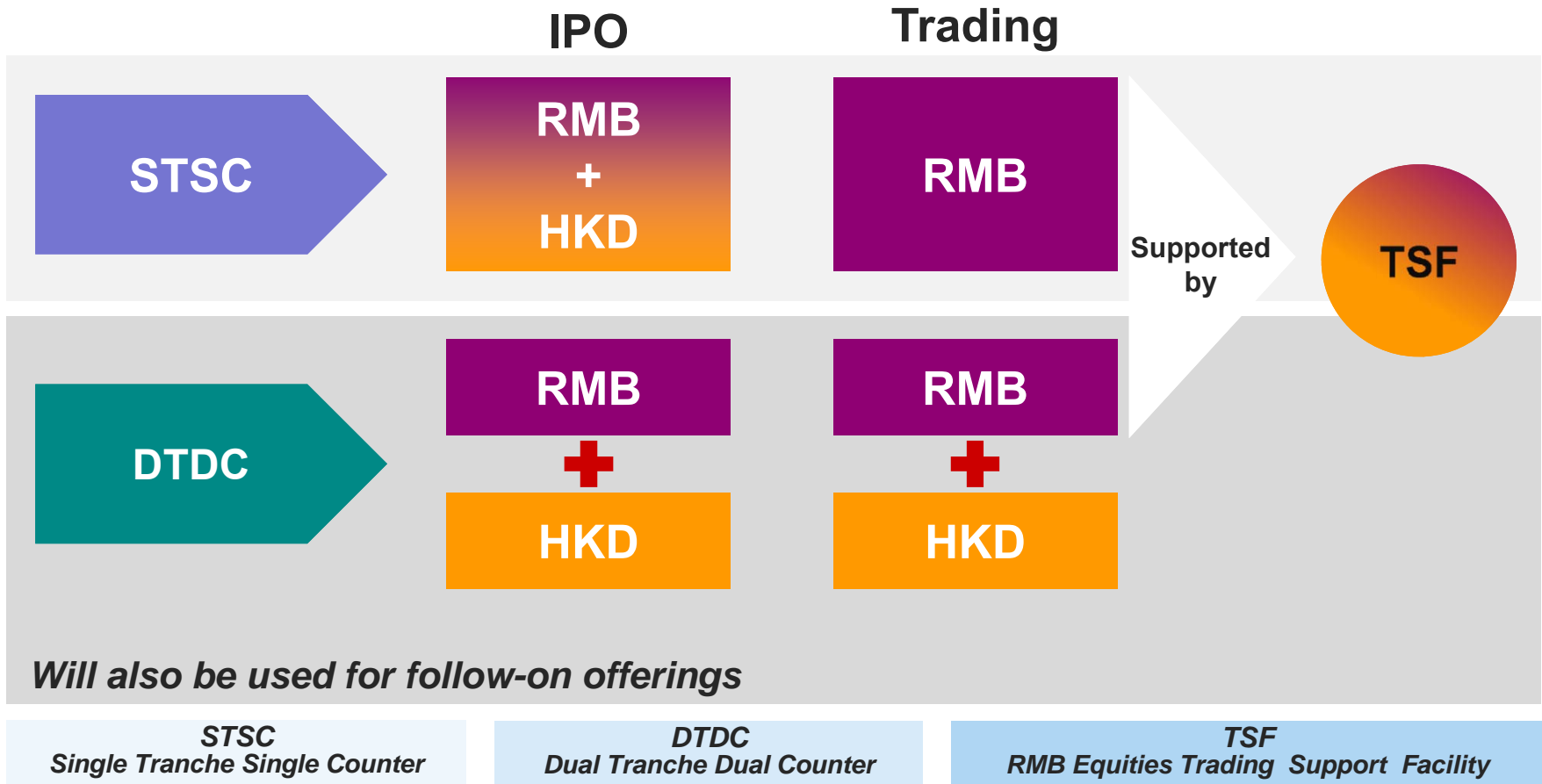
Launch slowed down by Market Conditions

- Dual Tranche Dual Counter (DTDC) RMB Equity Model
- Potential issuance of RMB bonds and equity in Hong Kong by H-share companies
- BRICS Alliance

RMB Capability – Laying the Foundation



Different Models & Facilities to Support the Listing & Trading of RMB Equities



Launch of RMB equities....awaiting market conditions to pick up

Cross-border Market Access – *Why is it Important?*

RQFII

- Expands CNH product suite
- Enhances yield on CNH
- Facilitates RMB ETFs on A-Share underlying

Cross-border ETFs

- Gives Mainland investors access to Hong Kong underlying at index level
- Increases familiarity with HKEx equity market
- HKEx-listed RMB ETFs on A-Share underlying provide currency neutrality

Potential JV

- Landmark cooperation between three Chinese exchanges (HKEx, SHSE, SZSE)
- Potentially gives HKEx access to futures on Mainland underlying

***Benefits of aligned opening hours will begin to emerge
as cross-market access increases***

Offshore RMB – Progress on 3 Critical Steps

Step 1 – RMB flows out of the Mainland

- CNH pool has grown to RMB 589 bil, 9.6% of Hong Kong deposits
- 8.9% of trade settlement executed in RMB in 1H 2011
- China's ODI in non-financial sectors reached US\$60 bil in 2011

Step 2 – RMB circulates offshore

- Product curve: Moving from Deposits / Insurance / Bonds to Equity / Structured Products
- RMB 234 bil of Dim Sum Bonds outstanding to date*
- Potential issuance of RMB products in Hong Kong by H-share companies
- HKMA eases regulations to allow banks to expand CNH business

Step 3 – RMB flows back onshore

- Streamlined approval procedures to send RMB proceeds back to Mainland
- The first batch of RQFII quota to invest mainly in fixed income
- Expanded RQFII quota to facilitate RMB ETFs on A-share underlying

Source: Chinese Government's Official Web Portal; HKMA website
* As of 27 Feb 2012

Substantial progress but still early days in a long march

BRICS Exchanges Alliance

<p>Brazil</p>  <p><i>A Nova Bolsa</i></p>	<p>Russia</p> 	<p>India</p>  <p>Bombay Stock Exchange Limited The edge is efficiency NATIONAL STOCK EXCHANGE OF INDIA LIMITED</p>	<p>China</p>    <p>香港交易所 上海證券交易所 SHANGHAI STOCK EXCHANGE 深圳證券交易所 SHENZHEN STOCK EXCHANGE</p>	<p>South Africa</p>  <p>JOHANNESBURG STOCK EXCHANGE</p>
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Slow start expected, but a strategic partnership initiative

Hong Kong's Financial Markets – Future Vision

- Hong Kong continues to rank as the world's top financial center
- HKEx has the opportunity to lead Hong Kong into new asset classes



Equities

**Fixed Income
& Currency**

Commodities

Chapter 3 – Why Now?

China's influence and relevance in global market is larger

China needs access to financial and commodity derivatives markets in RMB and Asian time zone

China is internationalizing fast

Extension of Hong Kong value proposition
"China meets international" to new asset classes

Incremental driver of CNH growth

But these are also globally competitive sectors

Size of the Opportunity

IRS & FX



OTC
Clearing

RMB FX
Derivatives



Financial
Derivatives

Sectors?
Value Chain?
Business Models?



Commodities

Offshore RMB will be the transformational driver

Infrastructure – 2012 is a Critical Implementation Year



Required Investment

- Essential infrastructure investment to preserve current revenue
- Building blocks for incremental revenue



- Increased headcount and operating expenses
- Strengthened project management

Fiscal Regime

- Higher capex
- Potential change in margin structure
- Reduced cash flow in interim



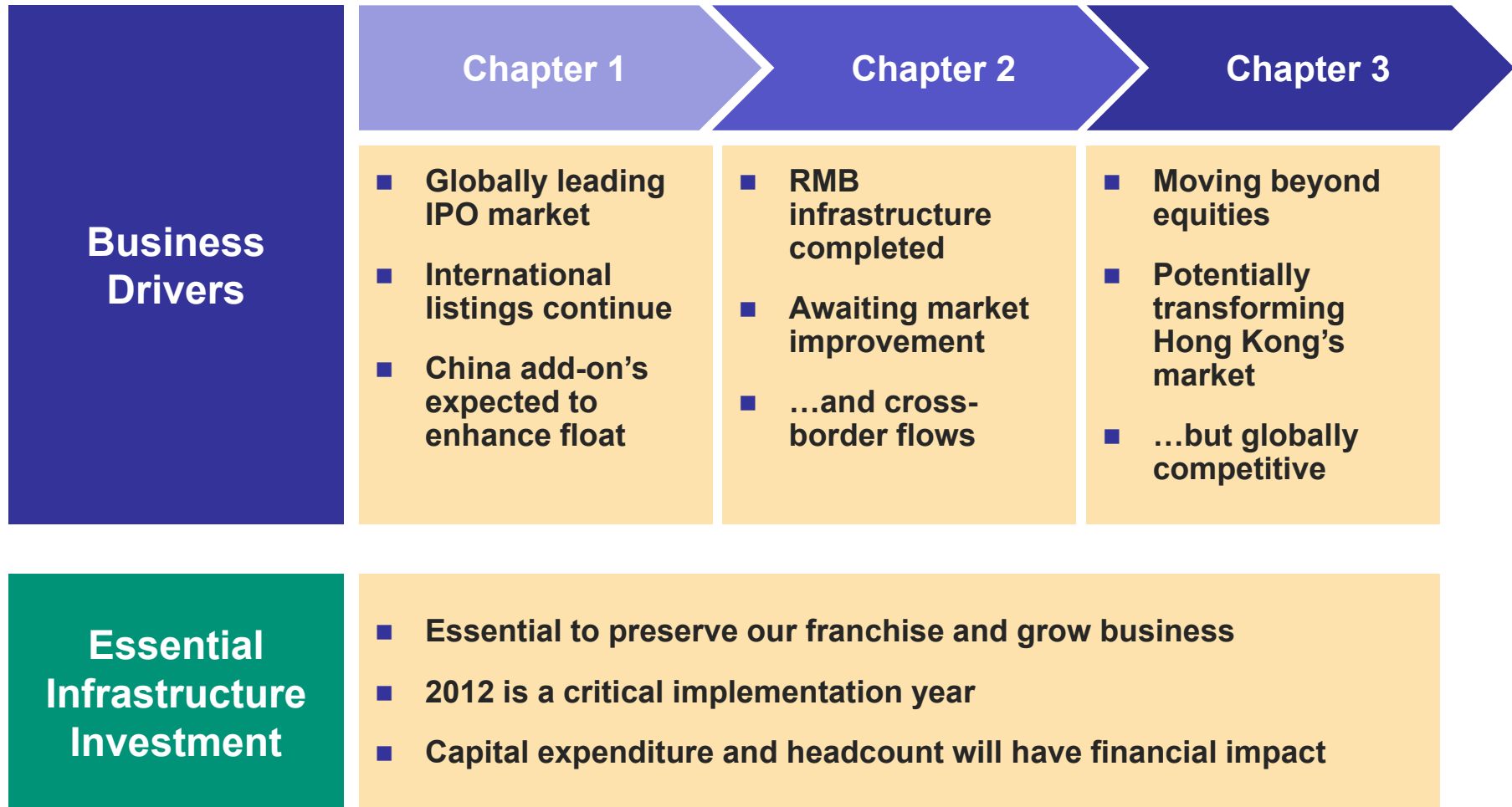
- Enhanced fiscal discipline
- Internally funded
- No planned changes to dividend policy

To preserve our franchise and grow, we have to invest

Essential Infrastructure Investment – A Comprehensive Plan



2012 – Key HKEx Strategies





Questions and Answers

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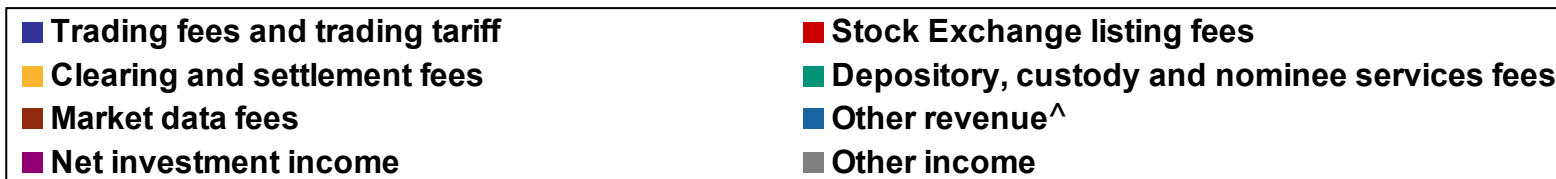
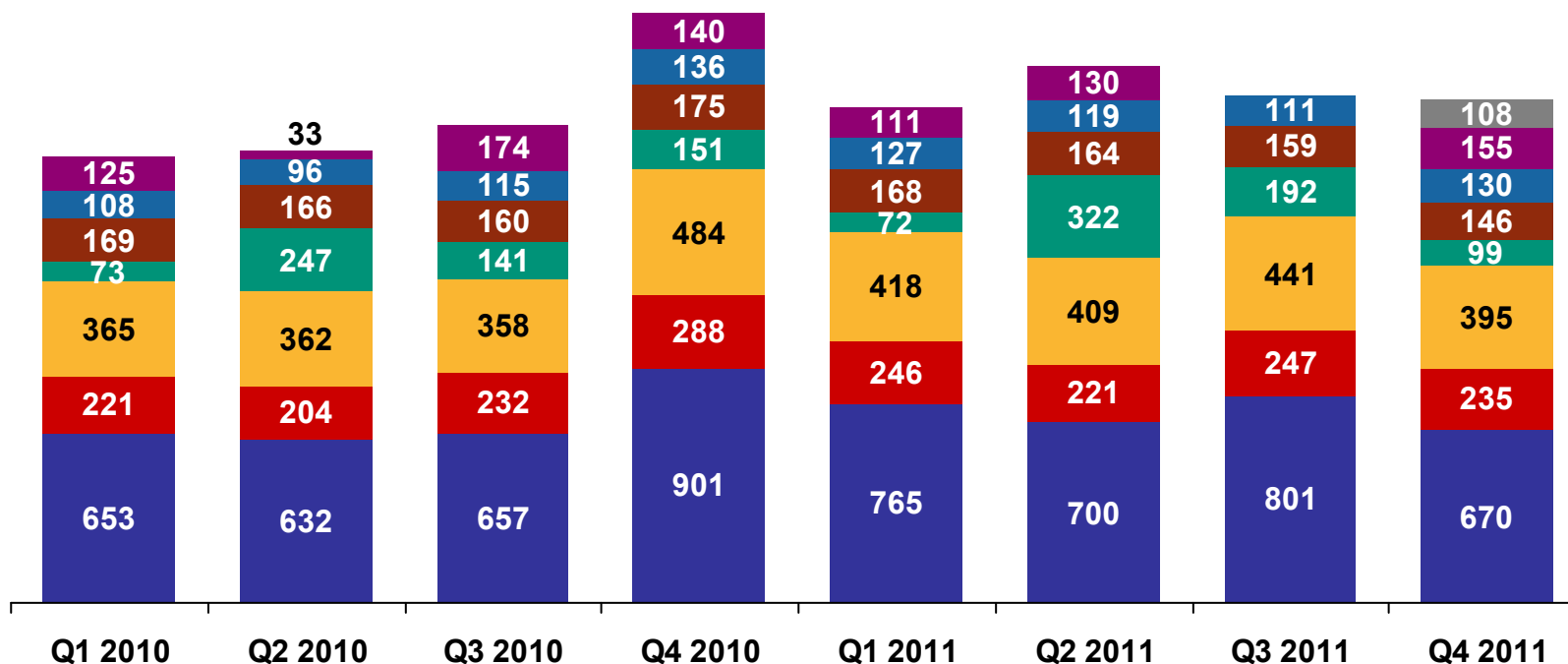
Appendix – Additional Financial Information

Quarterly Trend - Revenue and Other Income



(\$ million)

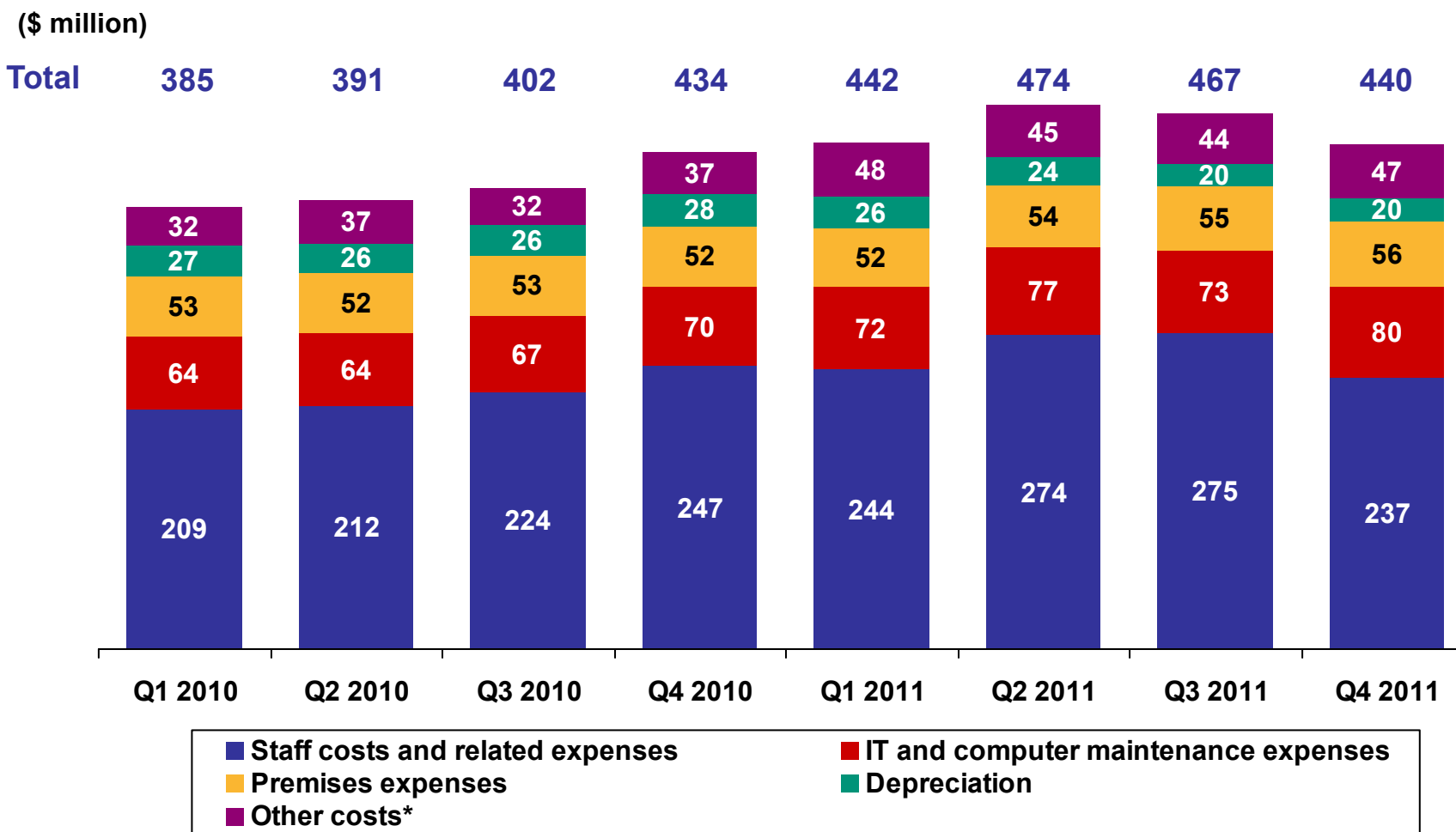
Total 1,714 1,740 1,837 2,275 1,907 2,065 1,945 * 1,938



* Including net investment loss of \$6 million for the third quarter of 2011

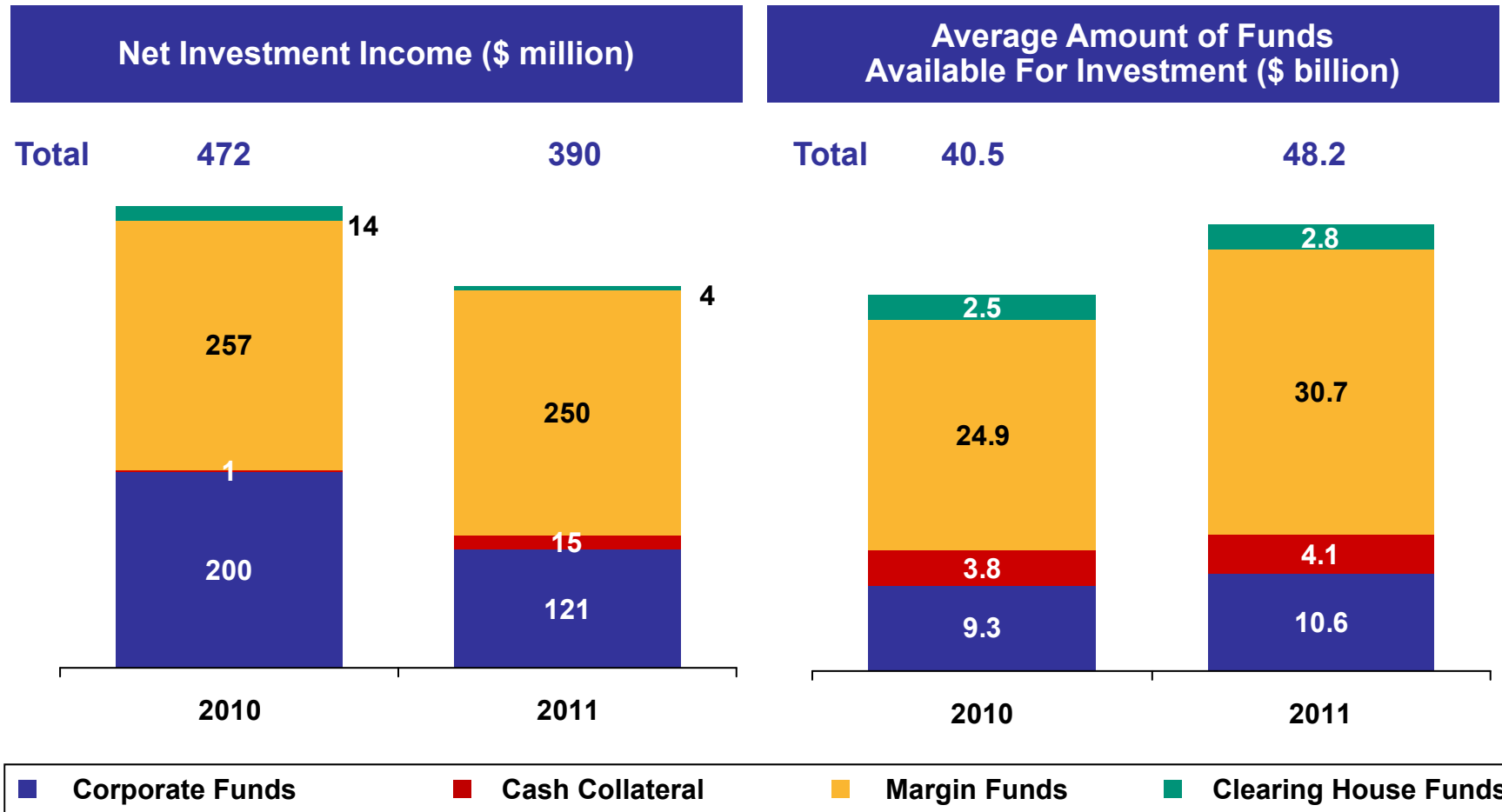
[^] Other income represents the forfeiture of unclaimed cash dividends held by HKSCC Nominees Limited.

Quarterly Trend - Operating Expenses



* Other costs include product marketing and promotion expenses, legal and professional fees and other operating expenses.

Net Investment Income by Funds



2011 Results

- Net Investment Return by Funds

